

2006 Community Development Block Grant Program

Program Mission

The mission of the Community Development Block Grant Program (CDBG) is to improve the economic, social and physical environment of eligible cities and counties in ways that enhance the quality of life for low- and moderate-income residents, and as a result, benefit the entire community.

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This Action Plan describes the method of distribution for the Community Development Block Grants administered by CDBG Program staff in CTED's Local Government Division and the CDBG-supported Economic Development Loan Funds administered by Business Finance Unit staff in CTED's Economic Development Division.

Review Process for Funding

CDBG staff members use three levels of criteria to determine whether or not a grant will be made to a local government for a proposed project. First, staff must determine that the local government is an eligible applicant, that the project is an eligible activity according to the federal statutory requirements that govern the program and that the project meets one of three "national objectives" listed below. Second, staff review the proposed project to determine whether or not it meets the conditions for funding that have been established by state program policy. Based upon experience, these conditions have proven to be indicators of a successful project. Third, staff determine how a project fits the overall program's priorities as established by rating and review processes that are specific to each of the state's separate CDBG grant funds. The criteria for each level of review are:

Eligible Applicants

Eligible cities and towns are those with less than 50,000 populations or counties with less than 200,000 population, provided the cities, towns or counties do not participate as members of HUD Urban County Consortia.

Indian tribes and special purpose organizations (such as public housing authorities, port districts, water and sewer districts, community action agencies and economic development councils) are not eligible to apply directly to the CDBG Program for funding. These projects may be eligible under CDBG if:

- A project will serve both an eligible local government's citizens and tribal members. If the boundaries of a project's service area involve both the local government and a tribal jurisdiction, the local

Part II

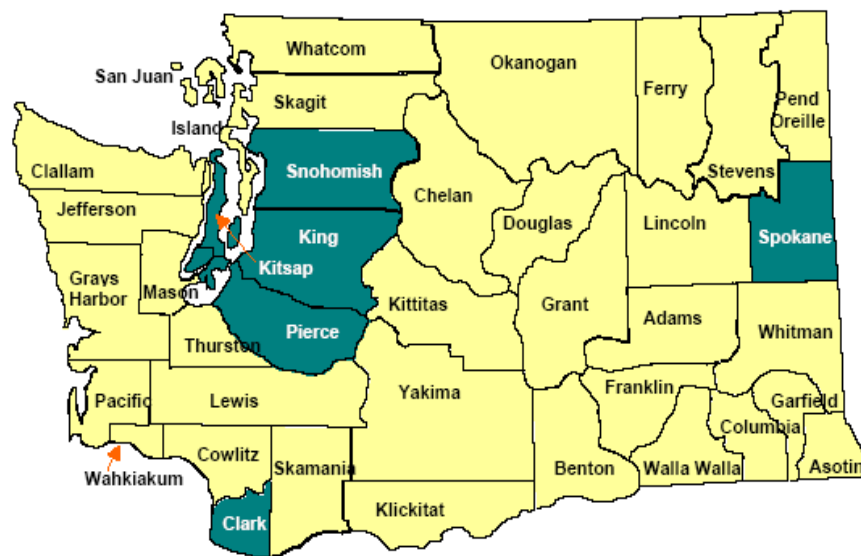
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government may apply for state CDBG funding on behalf of and in coordination with the Indian tribe.

- An eligible local government chooses to involve a special purpose organization in the operation of a project funded under the CDBG program.

The following map displays the non-entitlement areas that are eligible for state CDBG funds.

Map II-2: 2006 CDBG Non-Entitlement Map



2006 CDBG Entitlement/Non-Entitlement Jurisdictions

Non-Entitlement Counties	Entitlement Counties	Entitlement Cities in Non-Entitlement Counties
		<ul style="list-style-type: none"> Anacortes Bellingham Longview Olympia Mount Vernon Tri-Cities Wenatchee Yakima

Eligible Activities

All CDBG-funded projects must be an eligible activity according to Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended.

National Objectives

An eligible project must meet at least one of the following three federal (HUD) requirements:

1. Principally benefits persons with low- to moderate-income;
2. Prevents or eliminates slums or blight; or
3. Addresses an urgent community development need, which poses a serious and immediate threat to health and safety.

The CDBG program is designed to principally benefit low- and moderate-income persons by providing grants to cities and counties and will ensure that not less than 70 percent of the CDBG funds received by Washington State during the past three years will be used for activities that benefit persons of low- and moderate-income. Low- and moderate-income is defined as 80 percent of the county median income.

Conditions for Funding

According to program policy, funds are awarded for eligible projects that meet the following conditions:

1. There is a compelling need for public assistance;
2. A feasible technical solution to the problem or opportunity being addressed has been identified and agreed to by affected citizens, the local government and the appropriate regulatory agencies;
3. The project is ready to proceed and will make timely use of the funds;
4. There is a clear and feasible plan for implementing the project and maintaining its operation into the foreseeable future; and
5. There is credible evidence that the results will be commensurate to the amount of public funds requested.

Funding Priorities

In order to be funded, a project must rank high in comparison to other similar projects on a state and local level using the following priorities:

1. The project addresses a public health and safety issue; or
2. It improves essential services to low- and moderate-income persons; or
3. It completes a necessary and specific step in a broader community development strategy.

Allocation of Funds

CDBG resources will be distributed to eligible non-entitlement communities through the programs and funds listed in Tables II-4 and II-5.

The state's CDBG allocation for 2006 is divided into seven funds or programs, each of which uses a different method of distribution:

- The Community Investment Fund distributes resources in support of projects identified through a local prioritization process. Funded projects provide benefits to low- and moderate-income individuals through projects that are also significant on a sub-state, regional or countywide basis in terms of economic diversification and community stability. Project selection is made on a funds available basis, using a collaborative process that includes federal, state and local funding sources. Award decisions require the review and approval of CTED's Resource Team.
- The General Purpose Grant program distributes funds to eligible jurisdictions following an annual statewide competitive application process.
- Housing Enhancement Grants are companion funds to the Housing Trust Fund (HTF) activities that are essential to a project's success, are not eligible for HTF, and fill a financial gap in project funding. Grant decisions and awards are made in coordination with the HTF Program's funding cycle.
- The Housing Rehabilitation Grant program provides non-competitive grants, which are available throughout the year on a fund-available basis.
- The Imminent Threat Grant program aids jurisdictions facing urgent needs with potential impacts on public health and safety that are beyond their ability to address. Grant awards are made on a funds-available basis.
- Planning-Only Grants (POG) are available throughout the year on a funds-available basis to eligible jurisdictions to plan the implementation of priority projects that principally benefit low- and moderate-income persons. Award decisions require the review and approval of CTED's Resource Team.
- Public Services Grants are distributed using a funding formula to eligible counties that in turn rely upon community action agencies as subrecipients for administration and service delivery that benefit low-income individuals.
- Float-Funded Activity Grants (Floats) are made available on a funds-available basis and use CDBG funds allocated to the State CDBG Program, but are not expected to be drawn down for the duration of the Float Loan term. These funds may be used for short-term loans to businesses and/or developers. Funds may also provide short-term financing to eligible jurisdictions for CDBG-eligible activities that meet a HUD National Objective.
- The Rural Washington Loan Fund (RWLF), administered by CTED, provides gap financing loans on a funds-available basis to small businesses, primarily in economically distressed and timber-impacted non-entitlement areas of the state.

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- The Section 108 Loan Guarantee Program is backed by a pledge of CDBG funds. This pledge or guarantee facilitates the applicant's access to other sources of funds for economic development, housing, public facilities and large-scale development projects. The loan guarantee provision is available throughout the program year and is subject to a maximum guarantee limit.

The following is a table that shows how CDBG funds were allocated and obligated in 2005 (as of August 2005) and the resulting number of projects. Based on these successful outcomes and the anticipated amount of funds available for 2006, the table summarizes the anticipated number of projects to be funded in 2006.

Table II-3: Summary of CDBG Funds Allocated and Number of Projects

CDBG Program	2004 Funds Allocated in Action Plan	2004 Funds Awarded & # of Grants	2005 Funds Allocated in Action Plan	2005 Funds Awarded & # of Grants (as of 9/1)	2006 Funds Allocated in Action Plan (proposed)
Community Investment Fund	\$4,500,000	\$5,919,200 (12)	\$5,178,030	\$4,454,087 (10)	\$3,700,000
General Purpose Grant	\$8,000,000	\$9,578,115 (18)	\$7,500,000	\$7,508,488 (16)	\$7,000,000
Housing Enhancement	\$1,185,000	\$624,578 (2)	\$1,000,000	\$526,307 (3)	\$800,000
Housing Rehabilitation	\$1,000,000	\$2,517,210 (6)	\$1,500,000	\$1,652,500 (4)	\$1,100,000
Imminent Threat	\$400,000	\$46,612 (1)	\$300,000	\$0	\$166,000
Planning-Only Grant	\$500,000	\$580,945 (23)	\$600,000	\$536,500 (21)	\$500,000
Public Service	\$1,775,000	\$1,916,700 (15)	\$1,766,000	\$1,766,000 (12)	\$1,766,000
Sub-Total #	\$17,360,000	\$21,183,360 (77)	\$17,844,030	\$16,443,882 (66)	\$15,032,000
HUD Award	Estimated \$18,000,000	Actual \$18,651,019	Estimated \$18,499,000	Actual \$16,676,574	Estimated \$15,600,000
Less Admin.	(\$460,000)	(\$473,020)	(\$469,980)	(\$433,531)	(\$ 412,000)
Less 1% TA	(\$180,000)	(\$186,510)	(\$ 184,990)	(\$166,765)	(\$ 156,000)
Left for Grants	\$17,360,000	\$17,991,489	\$17,844,030	\$16,076,278	\$15,032,000
Plus Contingency Balance		Begin. 2004 \$5,562,917 End 2004 \$3,912,782		Begin. 2005 \$3,912,782 End 2005 \$2,000,000	
Total Available For Grants		2004 \$23,554,406		2005 \$20,856,122	
Applications Received		\$40,922,426 (113)		\$ 35,772,829 (95)	

Fund-Specific Program Information

Complete descriptions of each specific program of fund, including application requirements, eligibility guidelines, methods of funding distribution and award processes are provided in this Action Plan. The actual projects to be funded in 2006 will be guided by the eligibility guidelines and selection criteria described in the 2006 application materials for the specific CDBG funds. In addition, information is available in the 2006 Rural Washington Loan Fund (RWLF) Guidelines, the Section 108 Loan Guarantee Guidelines and the CDBG Float-Funded Activity guidelines.

Funding Limits for Specific CDBG Activities

There are four statutory limits on the amount a state can spend for specific eligible activities under the CDBG program. The state is not allowed to use any more than two percent plus \$100,000 of its total annual award for program administration carried out by state staff in operation of the program, or one percent of its annual resources for any eligible aspect of technical assistance conducted by state staff. These limits have been in effect since 1982.

In addition, the state is also restricted from using any more than 15 percent of its annual allocation for public service activities, and 20 percent for planning activities (including administration carried out by the state). Eligible activities for CDBG public service and planning resources are described below in the Planning-Only Grant and Public Service Grant sections.

CDBG Program Review of Requested Grant Amounts

Grants consisting of more or less than the amount originally requested may be awarded at CTED's discretion based on discussions between CDBG program staff and the jurisdiction. The preliminary notice of project selection does not imply approval of all activities or all costs proposed in the selected application. The grant contract, once negotiated, is the legal document that governs the administration of the grant.

Minimum Performance Standards

CTED reserves the right to deny, review or fund applications that include the involvement of jurisdictions or organizations with serious unresolved audit findings related to performance or capacity.

Further, CTED reserves the right to postpone project contracting or to deny funding if there is a significant problem with previous grantee performance. In such situations, the grantee is responsible for development and initiation of corrective action satisfactory to CTED. Upon request, CTED will provide technical assistance to the community to help ensure timely completion of approved project activities.

Table II-4:

2006 COMMUNITY DEVELOPMENT BLOCK GRANT	ESTIMATED RESOURCES AVAILABLE
DESCRIPTION OF PROPOSED USES	
ADMINISTRATION See page II-22.	\$412,000
TECHNICAL ASSISTANCE (1% of state grant) See page II-22.	\$156,000
COMMUNITY INVESTMENT FUND The amount indicated will be available from the 2006 allocation for new grant awards. Additional monies from the Contingency Fund may be used for priority projects on a funds available basis. See page II-25.	\$ 3,700,000
GENERAL PURPOSE GRANTS The amount indicated will be available from the 2006 allocation for new grant awards. See page II-33.	\$ 7,000,000
HOUSING ENHANCEMENTS GRANTS The amount indicated will be available from the 2006 allocation for new grant awards. Additional monies from the Contingency Fund may be used for priority projects on a funds available basis. See page II-39.	\$ 800,000
HOUSING REHABILITATION GRANT PROGRAM The amount indicated will be available from the 2006 allocation for new grant awards. See page II-42.	\$1,100,000
IMMINENT THREAT GRANTS The amount indicated will be available for new grant awards. See page II-45.	\$ 166,000
PLANNING-ONLY GRANTS The amount indicated will be available from the 2006 allocation for new grant awards. See page II-48.	\$ 500,000
PUBLIC SERVICES GRANTS The amount indicated will be available for new grant awards. See page II-54.	\$ 1,766,000
ESTIMATED TOTAL 2006 CDBG ALLOCATION	\$ 15,600,000

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TABLE II-5:

CONTINGENCY FUNDS	ESTIMATED RESOURCES AVAILABLE
DESCRIPTION OF PROPOSED USES	
The Contingency Fund is the accumulation of recaptured/deobligated funds, remaining funds allocated to a grant fund that are unobligated at the end of the program year, and program income. These accumulated funds are carried over to establish the Contingency Fund for the next program year and made available for new grant awards as described in the individual fund sections of this Action Plan and on page II-57.	
ESTIMATED 2006 CARRY-OVER CONTINGENCY	\$2,000,000

TABLE II-6:

SECTION 108 LOAN GUARANTEES	ESTIMATED RESOURCES AVAILABLE
DESCRIPTION OF PROPOSED USES	
The State of Washington will pledge its future CDBG resources, up to the amount of the 2006 CDBG Allocation, to secure Section 108 Loan Guarantees for CDBG eligible activities. Although this pledge does not immediately reduce the state's CDBG allocation, future reductions due to payment default may result in the reduction of the state's annual award. Reductions to the state's annual award will be absorbed by the contingency fund. Reductions in excess of the available balance within the contingency fund will be absorbed proportionally by all CDBG programs. Net reductions occurring in program year 2005 totaled \$470,844. See page II-60.	\$17,000,000

TABLE II-7:

RURAL WASHINGTON LOAN FUND	ESTIMATED RESOURCES AVAILABLE
DESCRIPTION OF PROPOSED USES	
The RWLF Program exchanges state appropriated funds with CDBG funds. This exchange of funds does not reduce the state's CDBG allocation. This includes up to \$500,000 of additional resources that will be made available from the state's annual CDBG award if RWLF has exhausted its funds. See II-64.	\$7,200,000**
** Includes \$558,000 set aside in state building fund for potential addition to the CDBG/RWLF lending pool and/or local revolving loan funds.	

TABLE II-8:

CDBG FLOAT-FUNDED ACTIVITIES	MAXIMUM AVAILABLE
DESCRIPTION OF PROPOSED USES	
Float-Funded Activities are fully secured loans made in support of CDBG eligible economic and community development projects. The capital that is made available for Float-Funded Activities comes from unexpended CDBG awards to local governments. See II-68.	\$ 18,000,000

2006 Community Investment Fund Grant

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CDBG Community Investment Fund grants provide eligible jurisdictions the opportunity to access funds throughout the year for their priority community and economic development projects. Targeted technical assistance will be provided prior to and with each commitment of resources upon request. The commitment of resources will be reserved for high priority projects that are ready to proceed, need grant funding to be feasible and meet either the HUD National Objective of principally benefiting low- and moderate-income persons or the prevention and/or elimination of slums or blight.

Participating in the design and funding of community projects in this way represents a departure from the traditional competitive method of distributing grant funds. To facilitate this approach to project development, technical assistance will be provided to interested communities with high priority projects through a scooping process and on-site visits. The scoping process is to learn more about the project and determine the stage of readiness for the purpose of suggesting possible funding and appropriate technical resources, including the Community Investment Fund.

Any CDBG eligible non-entitlement jurisdiction that is participating in a local county-wide process is eligible to apply for a Community Investment Fund grant. Eligible projects must be ranked as one of the top three unfunded projects on the priority list. The priority process will identify and prioritize through an inclusive countywide selection process. CTED will work with stakeholders to determine a local or regional prioritization system.

Amount of Funds Available

A fund of \$3.7 million has been set aside for the purpose of making Community Fund Investment grants available to eligible local governments. Additional monies from the Contingency Fund may be used for priority projects on a funds-available basis. Any remaining funds (not obligated) at the end of the program year will be carried to the next program year for use in the Contingency Fund.

Application Guidelines

Pre-Application Requirements

- A Community Investment Fund grant pre-application is available upon request and may be submitted for review at any time.
- The project must be ranked within the top three unfounded projects on a county's list of priority projects.
- Any funded Community Investment Fund project must meet a HUD National Objective of principally benefiting low- and moderate-

income persons or the prevention and/or elimination of slums or blight. “Principal benefit” is defined as at least a 51 percent of a projects’ overall benefit will be to low- and moderate-income persons.

Application Requirements

- A Community Investment Fund applicant must meet the CDBG federal requirements for citizen participation and comply with the required federal and state certifications.
- The jurisdiction will receive Community Investment Fund application materials with its invitation to apply from the CDBG program. The jurisdiction must submit an application that meets all application elements within 90 days of the invitation to apply. To be considered for funding from the current program year, the application must be received by December 31st of that program year.
- To be funded, a Community Investment Fund application must document principal benefit to low- and moderate-income persons or prevention/elimination of slums or blight. “Principal benefit” is defined as at least a 51 percent (51%) of a project’s overall benefit will be to low- and moderate-income persons.

Prevention/Elimination of Slums or Blight National Objective

Criteria for Activities Carried out in a Slum/Blight Area

- Area must meet the definition of slum or blighted area under state/local law;
- Substantial number of deteriorated or deteriorating buildings or public improvements throughout the area;
- Activity must address conditions contributing to deterioration; and
- Documentation is kept of boundaries of the area and conditions that qualified the area at the time of designation.

Criteria for qualifying activity as meeting Spot Slum/Blight Designation

- Activities must address specific conditions of blight and/or physical decay not in a slum/blight area;
- Activities are limited to acquisition, clearance, relocation, historic preservation and building rehabilitation;
- Rehabilitation must be limited to the elimination of conditions detrimental to public health and safety.
- Any subsequent use of the property after acquisition or clearance must be considered to be a “change of use” under 24 CFR 570.489(j).

Eligible Activities

A variety of public facilities, economic development, housing and community facility activities are eligible for CDBG Community Investment Fund grants. A complete listing of eligible and ineligible activities can be found in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR 570.201.

The following two approaches to the use of Community Investment Funds under special circumstances may now be employed:

1. Special Activities by Community-Based Development Organizations, and
2. Community Revitalization Strategy process.

Special Activities by Community-Based Development Organizations

A jurisdiction may provide CDBG funds under a subrecipient agreement to a Community-Based Development Organization (CDBO) to carry out a neighborhood revitalization, community economic development, or energy conservation project as set forth in 24 CFR 570.204. To be considered an eligible CDBO, a jurisdiction must meet the criteria as set forth under 24 CFR 570.204(c). Please contact CDBG staff for a copy of the regulation.

Community Revitalization Strategy Process

The CDBG program has adopted the Community Revitalization Strategy (CRS) approach to the use of state CDBG resources by units of general local non-entitlement government. The Strategy Area concept represents a targeted approach to community development, requiring some critical mass of population density in order to be effective.

The CRS approach will be applicable to both the existing CDBG General Purpose Grant program and the CDBG Community Investment Fund grant program. There will be no change to the CDBG rating and selection criteria. The Strategy must be approved by the state CDBG program and will become a component of the threshold review process.

The CRS approach will allow the state CDBG program to address disinvestments within a defined area that meets specific criteria. This area may be within a jurisdiction that has a low- and moderate-income population of less than 51 percent. Currently such a jurisdiction would be unable to access CDBG fund for an area benefit project that would benefit the entire jurisdiction, such as city-wide water or sewer system improvements, even when the target area (within the jurisdiction) is over 51 percent low- and moderate-income.

The regulations that authorize the CRS process are as follows:

- 24 CFR 570.483(e)(5)(i) “Activities undertaken pursuant to the strategy for the purpose of creating or retaining jobs may, at the options of the grantee, be considered to meet the requirements of paragraph (b) of this section under the criteria at Sec. 570.483(b)(1)(v).”
- 24 CFR 570.483(b)(1)(v) “HUD will consider activities meeting the requirements of paragraph (e)(5)(i) of this section to qualify under paragraph (b)(1) of this section, provided that the area covered by the strategy meets one of the following criteria:
 1. The area is in a federally-designated Empowerment Zone or Enterprise Community; or
 2. The area is primarily residential and contains a percentage of LMI residents that is no less than 70 percent; or
 3. All of the census tracts/block numbering areas in the area have at least a 20 percent poverty rate, and at least 90 percent of them have at least a 25 percent poverty rate and the area is primarily residential.”
- 24 CFR 570.483(b)(1) “Area benefit activities.” Criteria for meeting HUD’s National Objective.

For a unit of general local government (jurisdiction) to implement the CRS approach, the following process may be used as an implementation guide:

- The target area must meet one of the three criteria under 24 CFR 570.483(b)(1)(v), as noted above:
- Once it is verified that one of the criteria has been met, the jurisdiction would prepare the required CRS;
- The completion of the CRS is an eligible activity and may be funded through the state’s CDBG Planning-Only Grant program. In addition, it is encouraged that the target area strategy be linked to existing planning initiatives to avoid duplication of effort at the local level. The following is a list of common documents/initiatives to which a CRS might be linked:
 - Local strategic or comprehensive plans, including plans in compliance with the Growth Management Act;
 - “Certified Economic Development Readiness” designations;
 - State Enterprise Zone designations;
 - State welfare reform and welfare-to-work programs;
 - Economic diversification initiatives in areas dominated by declining industries;
 - Main Street programs;
 - State-funded housing rehabilitation or housing development programs; and
 - State energy programs.

Essential components of a CRS must include but are not limited to the following:

- A local strategy must identify the boundaries of the target area for which the strategy applies;
- The strategy target area must meet one of the following criteria:
 - The area is in a federally-designated Empowerment Zone or Enterprise Community; or
 - The area is primarily residential and contains a percentage of LMI residents that is no less than 70 percent; or
 - All of the census tracts/block numbering areas in the area have at least a 20 percent poverty rate, and at least 90 percent of them have at least a 25 percent poverty rate; and the area is primarily residential.”
- The state CDBG program recognizes the importance of a flexible, long-term approach to revitalizing a target area. The Community Investment Fund grant program is available throughout the year on a funds-available basis and is best suited to providing longer-term funding of targeted revitalization activities.
- The integration of other funding sources into the CRS approach, such as participation and funding from:
 - USDA Rural Development;
 - Private foundations;
 - CTED’s Housing Division;
 - Housing Authorities;
 - Community Action Programs;
 - Religious organizations;
 - Economic Development Organizations;
 - Main Street Programs; and
 - Local governments.
- The bringing together of community and target area stakeholders to forge partnerships that:
 - Obtain commitments from community organizations to participate actively in the long-term revitalization initiative;
 - Make communities attractive for investments, thereby creating employment opportunities and the creation of profits;
 - Generate community participation at least equal to the CDBG program’s Citizen Participation Requirements to ensure that the benefits of economic activity are reinvested in the community for long-term development;
 - Support the involvement of nonprofit intermediary institutions;
 - Foster the growth of resident-based initiatives to identify and address their housing, economic and human services needs;
 - Provide capacity to coordinate the delivery of various local, state and federal resources; and
 - Support initiatives to move unemployed people from public assistance into jobs.

- The assurance that local strategies include an assessment of the economic conditions of the area; an examination of the opportunities for economic development improvement; and an assessment of the problems likely to be encountered.
- The assurance that local strategies contain a realistic development strategy and implementation plan to promote the area's economic progress, focusing on activities to create meaningful jobs for the unemployed and low- and moderate-income residents of the area as well as activities to promote the substantial revitalization of the area.
- The state will utilize the following two existing methods of grant evaluation and performance measurement to document measurable accomplishments:
 - The required final public hearing that occurs at the end of the contract period; and
 - The utilization of HUD's Integrated Disbursement and Information System (IDIS).

For a specified target area, the Washington State CDBG program has the option of requesting an exception to the 70 percent low- and moderate-income threshold or the 25 percent poverty rate threshold. Any exception would require both state and HUD field office review and approval. Exceptions are envisioned to be granted only for unusual circumstances, where strong targeting of benefits to low- and moderate-income residents can still be shown.

Ineligible Activities

As a general rule, activities that are not specifically identified as eligible in Section 105(a) of Title I of the Housing and Community Development Act of 1974 are considered to be ineligible. In addition, CDBG funds may not be used for general conduct of government business: to pay for lobbying activities, to purchase equipment, or to purchase, construct or improve buildings used for the general conduct of government.

Method of Funding Distribution

The selection process for Community Investment Fund proposals consists of several stages, including pre-application submittal; preliminary scoping and, if necessary, on-site meetings with the prospective applicant; invitation to submit an application; threshold review; project evaluation and grant award.

Pre-Application Submittal

- Pre-Applications may be submitted at any time.
- Pre-Applications will be reviewed on a first come, first served basis.

Preliminary Scoping

A staff person will be assigned to conduct a preliminary review of the proposed project. During this period, the project will be reviewed, inspection made if necessary, and a preliminary assessment of the project's readiness to proceed and CDBG eligibility will be made. A project is "ready" when it has a well-defined scope, reliable budget, strong community support and no problems that would prevent implementation soon after funds are committed.

CTED Resource Team

The CTED Resource Team will review all potentially fundable projects. A Discovery Form summarizing the project, priority ranking on the county's priority list, key contact, amount of funding needed and secured funding from other sources accompanies each project considered by the Resource Team. When presented to the Resource Team, a decision is made as to the type of assistance to offer, including additional technical assistance or partial or full funding of the project as proposed.

Invitation to Apply

When the Resource Team recommends a project for funding, the CDBG program sends a letter inviting the jurisdiction to complete and submit a final Community Investment Fund application. The jurisdiction will receive the Community Investment Fund Application Handbook with its invitation to apply. The jurisdiction must submit an application that meets all application elements within 60 days of the invitation to apply.

Threshold Review

- The application must document the project will meet a HUD National Objective of principal benefit to low- and moderate-income persons and/or the prevention/elimination of slum or blight.
- The applicant must meet the CDBG federal requirements for citizen participation and comply with the required federal and state certifications.
- The project proposed for funding must be an eligible activity, as outlined in this Action Plan.

Application Elements

Applications will consist of the jurisdiction's responses to the rating and selection questions used for the General Purpose Grant program application. The applicant must also submit all required CDBG forms and certifications. The basis for which points are awarded will differ for each eligible program area (housing, economic development, public facilities, community facilities, and comprehensive). The evaluation criteria that will be used for each program area is listed within the 2006 General Purpose Application Handbook. Applicants must receive a score of 65 points or greater to be eligible for funding. The criteria

used to rate Community Investment Fund applications is identical to the General Purpose rating criteria listed in this Action Plan.

Project Evaluation

Final Community Investment Fund applications will only be reviewed if the jurisdiction was invited to apply. All Community Investment Fund projects are reviewed on a first come first served basis. However, pending applications will be funded based upon relative need and as funds are available. Critical elements of the project evaluation process includes a determination that:

- The project is ready to be fully implemented;
- The project principally benefits low- and moderate-income persons and/or meets the HUD National Objective of prevention/elimination of slums or blight;
- The application meets the program's high score standard of 65 out of 100 points; and
- The project must be ranked within the top three unfunded projects on a county's list of priority projects.

Relationship Between Community Investment Fund and Other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one Community Investment Fund grant per program year. Also, a jurisdiction is not allowed to receive both a Community Investment Fund grant and a General Purpose grant for the same project. To be considered for funding from the current program year, the jurisdiction must be invited to apply and the full application must be received by December 31st of that program year.

2006 CDBG General Purpose Grants

General Purpose grants are generally made available annually, on a competitive basis, to assist eligible cities, towns and counties in carrying out significant housing, economic development, community facilities, public facilities and comprehensive projects that principally benefit low- and moderate-income persons.

General Purpose grant applications will be evaluated on their compelling need for public assistance; feasible technical solution to the problem or opportunity identified and agreed to by affected citizens, the local government and the appropriate regulatory agencies; clear and feasible plan for implementing the project and maintaining its operation into the foreseeable future; and, credible evidence that the results will be commensurate to the amount of public funds requested.

Amount of Funds Available

Approximately \$7,000,000 of funding is available during 2006 for General Purpose grants. The Contingency Fund may also be used for priority projects on a funds available basis.

The maximum grant for General Purpose grant applications is \$1,000,000. An applicant's request for the maximum amount of \$1,000,000 must be well justified and will be thoroughly evaluated during the rating and selection process.

Application Guidelines

Applications must be submitted on or before November 17, 2005. An application is considered submitted if it is postmarked or hand-delivered on this date and contains all the elements necessary to pass threshold review. Applications postmarked or hand-delivered after this date will not be accepted. A list of applicants to receive 2006 General Purpose grants will be published in the spring of 2006.

Application Requirements

- Each eligible jurisdiction may submit one General Purpose grant application requesting up to \$1,000,000 in grant funds during the 2006 General Purpose Grant funding competition.
- An applicant may request funds for a project in any one of five program areas: housing, economic development, community facilities, public facilities and comprehensive. Each applicant must demonstrate that at least 51 percent of the beneficiaries of each proposed activity in the application are low- and moderate-income persons.
- Applications including a combination of related activities in one or more program areas are considered to be comprehensive. These projects are broader in scope or concept than projects principally

addressing a single need or program area. The activities must be related and coordinated to achieve more results than would be possible when singly addressed.

- Detailed instructions and requirements for developing a General Purpose Grant proposal and application will be provided in the 2006 General Purpose Grant Application Handbook.

Eligible Activities

A variety of housing, community facilities, public facilities, public service, planning and economic development activities are eligible for CDBG General Purpose Grant funding. A complete listing of eligible and ineligible activities can be found in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.201.

Two approaches to the use of General Purpose Grant funds under special circumstances may now be employed: Special Activities by Community-Based Development Organizations and Community Revitalization Strategy Process. The requirements of these two approaches are provided in detail within the Community Investment Fund section of this Action Plan.

Ineligible Activities

As a general rule, activities that are not specifically identified as eligible in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.201 are considered to be ineligible. Prospective applicants are encouraged to consult with CDBG program staff if they have questions concerning the eligibility of proposed activities.

Method of Funding Distribution

The selection process for new General Purpose Grant proposals consists of three stages:

- Threshold Review;
- Rating and Selection; and
- Announcing recipients.

Threshold Review

Threshold review is conducted to ensure that the application is complete and timely, administrative plans and assurances of compliance with applicable state and federal laws and requirements are included, and all required statements and certifications are adequate.

No points are awarded during this stage. Applications that fail to meet minimum threshold requirements will not advance to the rating and selection stage. Incomplete applications that meet the minimum threshold requirements will be rated based on the application received.

Part II Program Action Plans

When conducting the threshold review, CDBG program staff may contact the applicant to resolve threshold issues; however, new information will not be requested or accepted after the application deadline.

As part of the threshold review, each application will be screened to ensure that the appropriate maximum average CDBG investment per benefited household is not exceeded. The average CDBG investment per household benefiting must be equal to or less than the following:

Project Category	Maximum Average CDBG Investment Per Household
Community Facilities	\$10,000
Public Facilities	\$10,000
Economic Development	\$10,000/job
Housing	\$25,000 *
Comprehensive	Above amounts as applicable

*Up to \$35,000 per unit for projects that include lead-based paint mitigation activities.

Rating and Selection

Applications will be evaluated and scored by review teams in five separate groups corresponding with the five primary program areas of housing, economic development, community facilities, public facilities and comprehensive. When applications containing unrelated activities in one or more program areas are received, the activities will be rated separately by program area. In this situation, the application's total score will be the average sum of the proportionally weighted points awarded to each program area. Applications that include a combination of related activities in one or more program areas coordinated to achieve greater results than possible if addressed singly, are considered comprehensive and will be rated in that program area. CTED may consult with informed third parties including local, state and federal agencies and may make site visits to assist in the rating and selection process.

Applications receiving scores of at least 65 points will be awarded funding in rank order. Remaining funds, if any, will be transferred to the Contingency Fund for distribution. Applications will be evaluated and assigned points based on the following:

	Maximum Possible Score	% Total
Need Statement	25 points	25%
Capacity Statement	25 points	25%
Readiness Statement	25 points	25%
Results Statement	25 points	25%
Total Maximum Score	100 points	100%

All applications will include the same elements: however, the basis by which points are awarded for each criterion will be different for each program area (i.e., housing, economic development, community facilities, public facilities and comprehensive). Applications will be evaluated based on the criteria identified in the following sections. The scores derived for each rating criterion are determined by evaluating the information provided by applicants that address similar activities. A final ranked list is established by evaluating the level of public benefit to be achieved by each project. The ultimate goal of the General Purpose Grant rating and selection process is to select projects that are most likely to provide the highest possible return for the public funds invested, as determined by the public benefit to be achieved.

Need Statement Rating Criteria (25 points – maximum score)

The “NEED” statement will be evaluated on a competitive basis against other projects, based on:

- The clarity of the need - including whether it is substantiated with data and documentation, and the credibility of the documentation.
- A comparison of the relative hardship and the frequency of the identified need.
- Number and economic status of individuals affected by the need, including both the impact on the community at large and the impact on low- and moderate-income persons in particular.
- The level of urgency to address the need – including whether it has been ordered as part of a mandated corrective action.
- Estimation of what would happen if nothing were done.

Capacity Statement Rating Criteria (25 points – maximum score)

The “CAPACITY” statement will be evaluated on a competitive basis against other projects, based on:

- Whether or not the jurisdiction (and participating subrecipient if applicable) has the organizational/financial capacity and authority to address the need on its own.
- Financial need – including whether the community is sufficiently contributing towards the project (given its capacity in terms of revenues, debt capacity, potential user fees, staff resources, leveraged funds, etc.).
- Past efforts and/or attempts to address the need.
- Capacity of the jurisdiction (or responsible subrecipient) to operate and manage the project into the foreseeable future.

Readiness Statement Rating Criteria (25 points – maximum score)

The “READINESS” statement will be evaluated on a competitive basis against other projects, based on:

- Degree to which the proposed project is consistent with past planning efforts, or if not, the clear reason why.
- Certainty that the project as proposed is technically feasible, cost effective and the most appropriate alternative.
- Whether or not the necessary relationships between the organizations needed to make the project work in the long-term are clearly established and appropriate.
- Documentation demonstrating strong agreement among all interested and affected parties that the project as proposed is necessary and appropriate.
- Extent to which all necessary financial and non-financial project participants are firmly committed and involved at the point of application.
- Evidence that the time between contract award and the point at which the public benefits will begin is minimal.
- Thoroughness and reasonableness of the Budget Assumptions and Budget Form.
- Completeness of the Work Plan narrative and Work Plan Form.

Results Statement Rating Criteria (25 points – maximum score)

The “RESULTS” statement will be evaluated on a competitive basis against other projects, based on:

- Degree of certainty that the project will have the desired impact and will address the need in the way and to the level it was intended.
- Benefit of the project to persons and households that are both above and below the low- and moderate-income level within the intended service area.
- Methods that will be used to measure results and how this information will be used and reported.
- Return on Investment - Degree of certainty that the project will produce outputs* and outcomes** that are commensurate with the amount of public resources provided and secured.

*Outputs = Things that you can count (quantity). For example, the number of people to be served by a project.

**Outcomes = How people will benefit from the project (quality). For example, what difference will the project make in an individual’s life?

Announcing Recipients

When the rating process is complete, funding recommendations will be made to CTED management for those most highly ranked projects up to the total amount of funds available for 2006 General Purpose Grants. Applications must receive a score of 65 points or greater to be eligible for a grant award. After receiving management approval, legislators will be notified and all applicant communities will receive written notice of rating process results. Technical assistance will be available to all unfunded applicants.

2006 General Purpose Grant recipients will be announced in mid-March 2006. Funds will be available as soon as contracting and the environmental review requirements are complete.

Delays in completing the execution of a final contract of ninety days or more from the date of the award letter, due to the projects' readiness to proceed, may lead to the rescission of the award and an invitation to apply during the next CDBG General Purpose Grant application cycle.

Relationship between General Purpose Grants and Other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one General Purpose Grant per program year. Also, a jurisdiction is not allowed to receive both a Community Investment Fund grant or Housing Enhancement Grant *and* a General Purpose Grant for the same project.

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2006 CDBG Housing Enhancement Grants

CDBG Housing Enhancement Grants are made available to provide flexible companion funding for competitive applications to CTED's Housing Trust Fund. The purpose of the Housing Enhancement Grant program is to streamline the financing of eligible housing projects with the Housing Trust Fund and to prevent the need to wait for the annual General Purpose Grant funding cycle to receive CDBG assistance. In 2006, staff of the CDBG program and the Housing Division of CTED will continue to improve the coordination between their funding programs to enhance the efficiency and effectiveness of these resources that both seek to address affordable housing issues.

CDBG program funds will be available for those projects located in eligible jurisdictions, and when the local jurisdiction agrees to support the project.

Amount of Funds Available

A fund of up to \$800,000 will be set aside for the purpose of making Housing Enhancement grants in coordination with companion Housing Trust Fund applications that are awarded funds. Additional monies from the Contingency Fund may be used for priority projects on a funds available basis.

Application Guidelines

Application Deadline

CDBG Housing Enhancement grants are made in concert with the Housing Trust Fund application processes. Announcements of CDBG funding reservations will be announced in coordination with Housing Trust Fund processes.

Application Requirements

Housing Enhancement applications should address the following areas for review:

- Funding gap analysis that identifies within the Housing Trust Fund companion application, the need for CDBG funds and explains why other sources are not available to fill the identified gap.
- Certifications by the eligible applicant jurisdiction demonstrating completion of federal citizen participation and disclosure requirements.

Eligible Activities

CDBG Housing Enhancement funds are available to cover project costs that cannot be paid for using Housing Trust Fund dollars, but are essential to the project's overall success. Examples of eligible costs include off-site infrastructure that is essential to a housing project and is considered an ineligible cost to the Housing Trust Fund. Housing Enhancement funds can also be used to pay for the non-housing costs of projects that are an integral part of a comprehensive project. An example would include the costs of a day care facility that has been incorporated into the design of a project that is requesting Housing Trust Fund support.

A complete listing of eligible activities can be found in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended.

Ineligible Activities

In general, any activity not described in the reference above, or any activity that does not benefit low-income persons, is ineligible for consideration. In addition, CDBG Housing Enhancement Grants may not be used to fund:

- New housing construction (including service connections).
- Costs of equipment.
- Furnishings.
- Personal property not an integral structural fixture, such as window air conditioners, washers or dryers.
- Installation of luxury items, such as swimming pools.

Method of Funding Distribution

The selection process for CDBG Housing Enhancement grant applications consists of two stages: (1) Companion funding sources' evaluation; and (2) CDBG evaluation.

Companion Funding Source Evaluation

Applications will first be reviewed using the applicable guidelines.

- Applications must be approved for funding by the Housing Finance Unit.
- Jurisdictions applying for Housing Enhancement Funds must meet federal citizen participation and disclosure requirements.

CDBG Evaluation

When applications to the companion funding sources have been evaluated and are ready for funding, they will be reviewed to determine if CDBG program funds can be appropriately used in the project. Projects located in eligible jurisdictions will be funded when CDBG funding is available and appropriate.



Consideration will be given to funded projects having the following characteristics:

- Project is in an eligible city or county;
- CDBG funds will fill a financing gap;
- CDBG funds cover costs that cannot be paid for by other funding sources; and
- The amount required does not exceed the amount of CDBG funds available.

When a project is identified for consideration, program staff will notify the funding agency, housing developer and the local jurisdiction.

Eligible jurisdictions will then be informed of the potential grant offer and given an opportunity to participate with the applicant in the project by:

- Meeting the federal citizen participation requirements, including conducting a public hearing;
- Agreeing to comply with the required federal and state certifications; and
- Agreeing to be responsible for the CDBG portion of the project.

Relationship between Housing Enhancement Grants and Other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one Housing Enhancement Grant per program year. Also, a jurisdiction is not allowed to receive both a Housing Enhancement grant and a General Purpose or Community Investment Fund grant for the same project. To be considered for funding from the current program year, the jurisdiction must submit the application's signed Project Summary Form by December 31st of that program year.

2006 CDBG Housing Rehabilitation Grants

Program Purpose

The purpose of the Housing Rehabilitation Grant Program (HRGP) is to provide housing rehabilitation set-aside funds in support of housing rehabilitation activities that improve and maintain the existing housing stock of eligible non-entitlement communities. In 2006, the CDBG Program and Housing Division of CTED will continue to improve the coordination between their funding programs to enhance the efficiency and effectiveness of these resources that both seek to address affordable housing issues.

Amount of Funds Available

A fund of up to \$1,100,000 will be set aside for the purpose of funding CDBG Housing Rehabilitation Grant projects. The Contingency Fund may also be used for priority projects on a funds-available basis.

HRGP grants are limited to \$500,000 per request. The amount requested must not exceed the maximum average CDBG investment of \$25,000 per household benefited or \$35,000 per household for houses requiring lead-based paint mitigation.

Application Guidelines

- Housing Rehabilitation Grant Program applications will be accepted throughout the year on a first come first served basis.
- Each eligible jurisdiction may receive one CDBG-funded HRGP grant per program year.
- Eligible jurisdictions can apply for funds from the HRGP and all other CDBG programs within the same program year.
- HRGP applications will be coordinated with partner housing rehabilitation programs in CTED, in order to create an integrated and coordinated one-stop housing preservation program for housing that pools HOME, HTF and CDBG funds for: emergency, minor and moderate repair, substantial rehab, energy efficiency and health and safety improvements.

Eligible Activities

Housing Rehabilitation Grant program applications must be for local housing rehabilitation projects for single-family or multi-family housing rehabilitation only, that are part of a city or county housing rehabilitation program. The funds may be used for

- Substantial housing rehabilitation.
- Minor home repairs and weatherization.
- Health, safety and emergency repairs.

- Lead-based repairs and mitigation.
- Direct administration costs to administer the housing rehabilitation program.

Ineligible Activities

In general, any activity not described in the reference above, or any activity that does not benefit low-income persons, is ineligible for consideration. In addition, grants may not be used to fund:

- New housing construction (including service connections).
- Costs of equipment (with some exceptions).
- Furnishings.
- Personal property not an integral structural fixture such as window air conditioners, washers or dryers.
- Installation of luxury items, such as swimming pools.

Method of Funding Distribution

The selection process for Housing Rehabilitation Grants consists of the application review, threshold review and project evaluation.

Application Submittal

- Applications may be submitted at any time, with funding available once the CDBG Program receives its 2006 HUD award.
- Applications will be received on a first come first served basis.
- Projects must principally benefit low- and moderate-income households.

Application Review

A review of the application will be conducted. During this period, the project will be reviewed, inspection made if necessary and a preliminary assessment of the project's readiness to proceed and CDBG eligibility will be made. A project is "ready" when it has a well-defined scope, reliable budget, established program procedures, strong community support and no problems that would prevent implementation soon after funds are committed. Housing Rehabilitation Grant applications will be reviewed to determine if CDBG funds will be appropriately used in the project.

After the review, a decision is made as to the type of assistance to provide, including additional technical assistance or partial or full funding of the project.

Threshold Review

- The application must document the project will meet a HUD National Objective or principal benefit to low- and moderate-income households.
- The applicant must meet the CDBG federal requirements for citizen participation and comply with the required federal and state certifications.
- The proposed project must be an eligible activity, as outlined in this Action Plan.

Application Elements

Applications will consist of the jurisdiction's responses to the rating and selection questions in the Housing Rehabilitation Grant Application Handbook. The applicant must also submit all required CDBG forms and certifications. The evaluation criteria that will be used for housing rehabilitation projects is the same as those criteria listed for the General Purpose grant and are also listed within the 2006 Housing Rehabilitation Grant Application Handbook.

Project Evaluation

All applications are reviewed on a first come first served basis. However, pending applications will be funded based upon relative need and as funds are available. Critical elements of the project evaluation process include the determination that:

- The project is ready to be fully implemented;
- The project principally benefits low- and moderate-income persons; and
- The application meets the program's high-score standard of 65 out of 100 points.

Relationship Between Housing Rehabilitation Grants and Other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one Housing Rehabilitation Grant per program year. To be considered for funding from the current program year, the full application must be received by December 31st of that program year.

2006 CDBG Imminent Threat Grants

Imminent Threat grants are meant to provide an interim solution to problems of an urgent nature and that have a potential for impacting public health and safety in ways that cannot be effectively addressed through the General Purpose grant application process. Applicants for Imminent Threat funds must be suffering from an immediate and urgent threat to public health or safety, verified by an independent source and the jurisdiction must not have the financial capacity to solve the problem. Imminent Threat grant applications for infrastructure assistance will be reviewed by the Public Works Trust Fund (PWTF) program at CTED for loan eligibility before consideration by the CDBG Program.

Amount of Funds Available

Approximately \$166,000 is set aside from the state's annual CDBG allocation for Imminent Threat grants to address the urgent needs of eligible applicants. This funding level will be maintained on a funds-available basis with monies that become available for the Contingency Fund throughout the year, such as recaptured funds or program income. The ultimate amount of funds obligated for Imminent Threat may increase depending upon the number of Imminent Threat requests and the amount of funds made available from the Contingency Fund.

Any unused Imminent Threat grant fund balance remaining at the end of a program year will be made available for the next program year's funding distribution.

Application Guidelines

Application Deadline

Applications for Imminent Threat grants may be submitted any time during the 2006 program year.

Application Requirements

Applications for Imminent Threat grants are considered if there is a unique, emergency need posing a serious immediate threat to the health or safety of a community. Imminent Threat grant applications may be submitted in the form of a letter signed by the authorized chief administrative officer of the eligible jurisdiction. The letter must describe the following public health and safety problem and specifically address the following:

- The cause of the threat/emergency in terms of a natural disaster or other unforeseen and unavoidable circumstance;

- The nature and extent of the threat to the public health and safety, including: the number of people affected, the area affected, etc.;
- Whether the situation is presently causing substantial harm, or whether and how it poses a potential threat to life and property or both; and
- Is the problem of recent origin; has it emerged within the last 18 months?
- Provide the name and telephone number of an official, independent of the jurisdiction, who is able to verify the threat to public health and safety.
- Does the threat/emergency constitute a situation unanticipated and beyond the control of the local government? What preventative actions were taken? Develop a chronology of actions.
- Can the situation be adequately managed to protect the public until the next competitive CDBG application cycle? If not, explain.
- Provide a detailed Scope of Work to address the problem.
- Estimate a schedule for project completion. Can the project be completed within 90 days?
- What alternative courses of action or designs are/were considered to address the immediate need on an interim basis?
- Identify any other jurisdictions/districts involved in addressing the project. Provide a point of contact and phone number for those jurisdictions/districts.
- Estimate project costs and funding sources for the proposed project. How and when have project cost estimates been made?
- What financial reserves are available to resolve some (or all) of the problem?
- What will be the likely results if this application is not accepted for CDBG funding?
- Briefly describe the maintenance program for the system in question.
- Has the jurisdiction been placed in fiscal distress due to other recent emergency public works incidents? If “Yes,” please explain.
- Is this problem likely to happen somewhere else in the public works system at another time? How will the jurisdiction avoid the situation?

The applicant/jurisdiction can request technical assistance as it works through answering these questions. Documentation of each response will be necessary before funding will be approved, including a copy of the jurisdiction’s Declaration of Emergency. The Declaration of Emergency must be provided prior to or with the information requested above. Imminent Threat projects are not required to principally benefit low- and moderate-income persons.

The following certification and threshold requirements apply to Imminent Threat applications:

- Declaration of Emergency
- CDBG Resolution with Certification of Compliance
- Federal Disclosure Report
- Excessive Force Policy
- Residential Anti-Displacement and Relocation Assistance Plan
- Title VI Certification
- Citizen Grievance Procedure
- Environmental Review Form

Eligible Activities

Imminent Threat funding is available to address problems immediately causing a threat to public health or safety. The solution must be compatible with CDBG eligible activities as described in the General Purpose grants section of this Action Plan. A description of minimum eligibility standards, as developed by HUD, can be found in 24 CFR Part 570.483(d).

Method of Funding Distribution

Applications for Imminent Threat grants and appropriate documentation are evaluated by CTED staff according to the questions identified above in “Application Requirements” and verified through contacts with independent sources and site visits, if deemed appropriate. The type and amount of assistance provided is based on an assessment of whether a serious, urgent, unanticipated threat to public health or safety exists, the scope of the need, the length of time the problem has been apparent, what preventive actions have been taken, proposed cost, how quickly the problem can be remedied, the applicant’s financial capacity and the availability of funding (i.e., from CDBG and other sources).

The Imminent Threat review process is rigorous and intended to screen for only the most serious, emergency health and safety threats. If CDBG Contingency Funds are available, if the proposal is determined to meet the intent of the program and if no other funding is available to the community, an Imminent Threat grant may be awarded.

Relationship Between Imminent Threat Grants and Other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one Imminent Threat Grant per program year. To be considered for funding from the current program year, the jurisdiction must be invited to apply and the full application must be received by December 31st of that program year.

2006 CDBG Planning-Only Grants

The purpose of funding local planning activities is to increase the capacity of eligible cities and counties to move forward on the implementation of priority projects that principally benefit low- and moderate-income persons. This increased capacity could be the result of:

- Essential knowledge gained;
- Local consensus achieved;
- Regulatory prerequisites met; and/or
- Necessary partnerships developed.

*

The CDBG Planning-Only Grant program seeks to achieve a measurable return on the investment of planning funds through cost savings with implementation. Examples include:

- Determining feasibility before investment of construction funds.
- Identifying and addressing obstacles that could result in cost overruns, project delays or project failure.
- Considering and testing less expensive alternatives.
- Building consensus between local stakeholders or with regulatory agencies, thereby reducing potential legal battles or project delays.
- Building local support and leveraging local resources, especially through long-term fiscal planning.
- Identifying regional partners and shared objectives to reduce duplication of effort.
- Establishing outcome measurements to guide and demonstrate successful implementation.
- Proactively addressing a problem, instead of reactively responding to a more expensive crisis in the future.

The methods for accessing funds for planning activities other than through a Planning-Only Grant application process can be found in the other respective CDBG funds' sections of this Action Plan.

Program Purpose

The grant program supports eligible small communities and counties in carrying out planning activities that lead to the implementation of priority projects that principally benefit low- and moderate-income persons. Technical and financial assistance, through direct support and/or in partnership with other CTED programs, is available to achieve this goal.

National Objectives

All CDBG Planning –Only Grant projects must meet one of the two following national objectives of the CDBG Program (Title I, Housing and Community Development Act of 1974, as amended):

- To principally benefit persons of low- and moderate-income;
- To prevent or eliminate slums or blight.

Program Priorities

In addition, the project must address one or more of the Planning-Only Grant program priorities:

- To address public health and safety issues;
- To improve essential services to low- and moderate-income persons;
- To complete a necessary and specific step within a broader community development strategy; or
- To assist communities in meeting planning requirements that will principally benefit low- and moderate-income persons.

Amount of Funds Available

A fund of \$500,000 is available in 2006. Planning grants are limited to \$24,000 for a single applicant or \$40,000 for a joint application involving two or more eligible jurisdictions that share a common planning need.

Applications meeting all of the criteria listed below may be funded at an upper limit of \$35,000 for a single applicant or \$50,000 for a joint application involving two or more eligible jurisdictions that share a common need.

- The proposed project is to address a public health and safety issue;
- The proposed project is required by a regulatory agency (such as Washington State Department of Health or Department of Ecology);
- The community is facing financial hardship in addressing the issue; and
- Other funding has been considered (such as Public Works Trust Fund Loan).

Pre-Applications are accepted and reviewed throughout the year, with awards made on a funds available basis.

Eligible Activities

The CDBG Program works collaboratively with other CTED programs to provide technical and financial assistance for a wide range of planning activities. In general, the eligible planning activities include:

- Studies
- Analysis
- Capital Facility Plans
- Data gathering

- Identification of implementing actions
- Preparation of plans

A complete listing of eligible planning activities can be found in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended. Planning-Only Grants can support an eligible jurisdiction's efforts to address local public health and safety issues, farmworker housing needs and meeting planning requirements that will benefit LMI persons.

Ineligible Activities

In general, any type of activity not described in the reference above is ineligible for consideration. In addition, CDBG Planning-Only Grants may not be used to fund:

- General grant administration expenses;
- Engineering, architectural, and design costs related to specific construction activity;
- Actual blue prints;
- Direct development of an application to any of the CDBG Program funds; or
- Other costs of implementing plans. (These costs may be eligible for CDBG funding as part of a CDBG construction grant.)

Method of Funding Distribution

The method of funding distribution and the basis for selecting applications for funding are outlined in the following steps of the Pre-Application and Application Processes:

1. Jurisdiction completes and submits Pre-Application Form.
2. Pre-Application passes or does not pass the CDBG Screening process, including –
 - Project addresses a program priority(s)
 - Project meets a national objective
 - Eligible applicant(s)
 - Eligible planning activity(s)
 - CDBG is the most appropriate funding sources
3. The CTED Resource Team reviews the request and considers technical and financial assistance options. A Discovery Form summarizing the project, key contact, amount of funding needed, and secured funding from other sources accompanies each project considered by the Resource Team. When presented to the Resource Team, a decision is made as to the type of assistance to offer, including additional technical assistance or partial or full funding of the project as proposed.

4. Based on the Resource Team's review, the CDBG Program invested the jurisdiction to apply or alternative options are identified. When the Resource Team recommended a project for funding, the CDBG Program sends a letter inviting the jurisdiction to complete and submit a final Planning-Only Grant application. The jurisdiction will receive the Planning-Only Grant Application Handbook with its invitation to apply. The jurisdiction must submit an application that meets all application elements within 60 days of the invitation to apply.
5. CDBG program staff review the application, to make sure that:
 - Threshold requirements are met, including public hearing documentation and an Interlocal Agreement (for joint applications only).
 - Narrative describes a compelling need, capacity to implement the project, readiness to proceed and clear results if funded.
 - Work plans are thorough and well conceived, including relationships with subrecipients or consultants.
 - Budget is reasonable and complete, with appropriate leverage resources.
6. Jurisdiction receives an award letter and begins the contracting process.

Award Review and Selection Criteria

To be funded, the applicant must provide complete and compelling information regarding their proposed project in the form of need, capacity, readiness and results statement. Examples of the type of information required for each statement follow. Application guidelines are available upon request.

1. Need Statement

The need Statement describes the general conditions the applicant organization or community wants to change or create, who is impacted and how, and how the community identified the proposed project as a high level priority within the community. The applicant's Need Statement will be evaluated on:

- A comparison of the relative hardship (difficulty) and frequency of the identified need.
- Whether or not mandated corrective actions have been ordered.
- Clarity of the need, evidence of the need and credibility of the documentation.
- Who is affected by the need.
- What would happen if nothing is done.

2. Capacity Statement

The applicant's Capacity Statement will be evaluated using the following criteria:

- Past efforts and/or attempts to address the need.
- Whether or not the jurisdiction (and participating subrecipients) has/have the capacity and authority to address the need on their own.
- Capacity of the jurisdiction (or responsible subrecipient) to operate and manage the project into the foreseeable future.
- Financial need – availability (or unavailability) of local resources.

3. Readiness Statement and Work Plan

The following criteria is used to evaluate the applicant's Readiness Statement:

- The overall need for a community development resource is great and has a high likelihood of rapidly producing a public benefits.
- Extent to which all necessary financial and non-financial project participants are firmly committed and involved at the point of application.
- Evidence that the time between contract award and the point at which the public benefits will begin is minimal.
- Thoroughness and reasonableness of the Budget Assumptions and Budget Form.
- Completeness of the Work Plan narrative and Work Plan Form.
- It is incumbent upon the applicant to convince the program that its project has strong agreement among all interested and affected parties that the project as proposed is necessary and appropriate.

4. Results Statement

When formulating a Results Statement, the applicant must consider the following:

- Degree of certainty that the project will have the desired impact and will address the need in the way and to the level it was intended.
- Benefit of the project to persons and households that are both above and below the low- and moderate-income level within the intended service area.
- Methods that will be used to measure results and how this information will be used and reported.
- Return on Investment - Degree of certainty that the project will produce outputs* and outcomes** that are commensurate with the amount of public resources provided and secured.

*Outputs = Things that you can count (quantity). For example, the number of people to be served by a project.

**Outcomes = How people will benefit from the project (quality). For example, what difference will the project make in an individual's life?

In order to be reviewed, a final application must be preceded by a successful pre-application. Final applications will only be reviewed if the applicant was invited to apply. Projects will be reviewed and funded on a first-come, first-serve policy, according to the program rating and selection criteria.

Joint Applications

When two or more eligible jurisdictions are located in the same region and share a common planning need, they are encouraged to seek cooperative solutions by preparing a joint application. An Interlocal Agreement, signed by each participating jurisdiction, must be submitted with the application, if an invitation to apply is extended. Jurisdictions considering a joint application are encouraged to contact the CDBG Program to review eligibility and approval of expanded budget.

Relationship Between Planning-Only Grants and Other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction (including a jurisdiction participating in a multiple jurisdiction project) will not be awarded more than one Planning-Only Grant per year, so the planning project of highest priority should be submitted first. To be considered for funding from the current project year, the jurisdiction must be invited to apply and the full application must be received by December 31st of that program year.

A Planning-Only Grant cannot fund the direct development of another CDBG application, although some activities that could support a subsequent application are eligible for Planning-Only Grant funding. Receipt of a Planning-Only Grant *does not* guarantee that a related CDBG application will be funded.

2006 CDBG Public Services Grant

The Department of Community, Trade and Economic Development provides a portion of its annual CDBG award for Public Services Grants to eligible counties and Community Action Agencies (CAA). Funding allocations will be made on a formula basis and contracts established with an eligible county interested in working with a CAA as a subrecipient. It is possible for eligible jurisdictions to apply for all other CDBG Program funds within the same program year. No more than 15 percent of the state's full 2006 CDBG grant from HUD will be available for public service activities.

Amount of 2006 Funds Available

A fund of no more than \$1,766,000 has been set aside for the purpose of making Public Services Grants available on a formula basis to CAAs serving non-entitlement communities through their local eligible county.

Application Guidelines

Application Deadline

Counties and their CAA will be invited to apply for awards for the 2006 program year. Contracts must be complete prior to disbursement of 2006 funds.

Application Requirements

- Application materials will be made available no later than October 31, 2005.
- Funding will be made on a formula basis as determined to be consistent with agreements forged with CAAs by administrators of the Community Services Block Grant (CSBG) staff and approved by the U.S. Department of Health and Human Services.
- Applicants for formula grants must meet all CDBG submittal requirements before contracts will be fully executed. This includes Section 102 Disclosure Report Form, public hearing, and other CDBG requirements.

Eligible Applicants

Eligible applicants for the Public Services Grants are counties serving all or a portion of the local CAA's service region as long as none of the service region contains counties with more than 200,000 populations and the county does not serve as a HUD Urban County Consortium.

Of the state's 31 CAAs, it has been determined that 12 CAAs principally serve residents of non-entitlement areas within non-entitlement counties. For CAAs that also serve an entitlement city within a non-entitlement county, state CDBG funds will only be used



for eligible programs that target and benefit residents of the non-entitlement service areas of the county.

Eligible Activities

CDBG Public Services Grants are available to improve the community's public services. According the Section 105(a)(8) of Title 1 of the Housing and Community Development Act of 1974, as amended, CDBG public service funds may be used to assist a variety of activities that provide public services to low- and moderate-income persons including, but not limited to:

- Employment
- Crime prevention
- Child care
- Health
- Drug abuse
- Education
- Energy conservation
- Welfare
- Recreational programs

Ineligible Activities

In general, any activity not described in the reference above and that does not principally benefit low- and moderate-income persons is ineligible for consideration.

CDBG Public Services Grants also cannot fund activities and their administration costs that are instead eligible for funding through another CDBG fund/line item, such as:

- Planning
- Housing rehabilitation
- Facility acquisition, construction or renovation

The methods for accessing CDBG funds for activities that are not considered a CDBG public service activity can be found in the respective funds' sections of this Action Plan.

In addition, CDBG funds may not be used for:

- Administration costs related to the general management of the organization
- Political activities
- Payments to individuals for their food, clothing, utilities, or other income payments
- New housing construction costs

Method of Funding Distribution

Of the state's 31 CAAs, 12 principally serve residents of non-entitlement areas of non-entitlement counties. The distribution of CDBG Public Services dollars is based on a formula that has been negotiated with the state's CAAs. This formula is described in the 2006 Washington State Plan for the CDBG Program. In order to ensure that CDBG only funds non-entitlement communities, a distribution schedule was developed in which all CAAs would receive about the same amount of funding under the formula. A list of the Washington State CAAs and formula distribution is listed in the following table.

The methods for accessing public service funding as part of other CDBG funds' application process (other than the CDBG Public Services Grant application process) can be found in the respective funds' sections of the Action Plan.

Table II-9: Public Services Grant Contract Amounts

2006 CDBG PUBLIC SERVICES CONTRACT AMOUNTS				
COUNTY	SUBRECIPIENT COMMUNITY ACTION AGENCY	COUNTY ADMIN \$	CAA TOTAL	CDBG TOTAL
Asotin	Community Action Partnership	\$3,000	\$ 53,145	\$ 56,145
Grant	North Columbia CAC	\$3,000	\$182,562	\$185,562
Grays Harbor	Coastal Community Action Program	\$3,000	\$180,843	\$183,843
Jefferson	Olympic Community Action Programs	\$3,000	\$157,583	\$160,583
Kittitas	HopeSource	\$3,000	\$124,945	\$127,945
Okanogan	Okanogan County CAC	\$3,000	\$140,609	\$143,609
Skamania	Klickitat/Skamania Development Council	\$3,000	\$120,150	\$123,150
Stevens	NE WA Rural Resources Development Assn.	\$3,000	\$147,087	\$150,087
Thurston	CAC of Lewis, Mason & Thurston Counties	\$3,000	\$131,610	\$134,610
Walla Walla	Blue Mountain Action Council	\$3,000	\$146,945	\$149,945
Whitman	Community Action Center	\$3,000	\$140,255	\$143,255
Yakima	Yakima Valley Farm Workers Clinic Northwest Community Action Center	\$3,000	\$204,266	\$207,266
TOTALS		\$36,000	\$1,730,000	\$1,766,000

2006 CDBG Contingency Fund

The Contingency Fund is the accumulation of recaptured/deobligated funds, remaining funds allocated to a grant fund that was unobligated at the end of the program year, and program income. These accumulated funds will be carried over to the next program year and made available for new grant awards as described in the individual fund sections of this Action Plan.

Amount of Funds Available

It is estimated that approximately \$2,000,000 will be carried over from 2005 to establish the 2006 Contingency Fund. Any recaptured funds, remaining funds or program income that become available during the program year will be added to the Contingency Fund.

Use of Funds

Resources available in the Contingency Fund may be used when the initial funding allocation for a CDBG funding program is fully obligated and then a priority project that meets the eligibility criteria is ready to be funded under that program. Table II-??4 lists the anticipated uses of Contingency Funds for priority projects within the CDBG funding programs.

The Contingency Fund also allows the award of funds early in the program year, if HUD is late in allocating the new program year award to CTED. This supports the timely expenditure of CDBG resources and assures that the immediate funding needs of a priority local project can be met.

The Contingency Fund is used to maintain the Imminent Threat Grant funding level at \$166,000 and to fund priority projects and Supplemental Grants on a funds-available basis. Resources available in the Contingency Fund will be made on a priority basis first to CDBG Imminent Threat grant requests and then to existing CDBG contracts in need of supplemental funds.

Funds remaining in the Contingency Fund at the end of the program year will be carried over into the next program year's Contingency Fund and distributed in a manner that is consistent with the overall goals, objectives and guidelines of the Action Plan.

Application Requirements

The application requirements are outlined in the individual fund sections of this Action Plan.

2006 CDBG Contingency/Supplemental Grants

Supplemental Grant requests are awarded on a funds available basis from the CDBG Contingency Fund. Supplemental Grant awards are intended as a last resort funding option for grantees whose approved projects have encountered unanticipated costs overruns. Once a Supplemental Grant is awarded, the supplemental funds are incorporated into the grantee contract through a contract amendment process.

Amount of Funds Available

Supplemental Grants are made available through the Contingency Fund on a funds available basis. Any recaptured funds, remaining funds or program income that become available during the program year will be added to the Contingency Fund and be made available for priority Supplemental Grant requests. The ultimate amount of funds obligated for Supplemental Grant may increase depending upon the number of Supplemental Grant requests and the amount of funds made available from the Contingency Fund.

Resources available in the CDBG Contingency Fund will be made on a priority basis first to CDBG Imminent Threat grant requests and then to existing CDBG contracts in need of supplemental funds.

Applications for Supplemental Grants may be submitted anytime during the 2006 program year and are awarded on a funds available basis.

Eligible Applicants

An applicant for a Supplemental Grant must be a recipient of an open CDBG contract.

Eligible Activities

Supplemental Grants are available to complete previously approved CDBG funded activities in communities with existing CDBG contracts that do not exceed the maximum grant amount.

Application Requirements

Under normal circumstances, CTED will not grant additional funds to pay for costs, which exceed the originally approved project budget. However, subject to funds being available at the time of request, and CDBG funds not exceeding the original grant limit, CTED may authorize the use of Contingency Funds for unanticipated costs caused by circumstances beyond the reasonable control of the grantee provided that all other program requirements and objectives can be met.

All supplemental funding actions must obtain CTED approval before any reimbursement of funds occur.

A request for supplemental funding must be submitted in the form of a letter, signed by the authorized chief administrative officer of the eligible jurisdiction, which addresses the following questions and provides documentation for each response.

All applicants for supplemental funds must answer the following questions:

- Has the grantee received the maximum CDBG grant amount according to grant limits for the funding year? Under special circumstances, giving consideration to the maximum average CDBG cost per household by program area, total awards may be increased to 2006 award levels.
- Can the goals (or part of the goals) of the project be realized without additional funds? If no, why not?
- Could the need for additional funds have been reasonably anticipated? If yes, why were appropriate steps not taken to prevent project cost overruns?
- Can the need for additional funds be met through an internal budget procedure (i.e., using money designated for another line item)?
- Are there alternative courses of action available to solve the problem?
- Have all other sources of funding been exhausted?

Method of Funding Distribution

Grantee requests will be subject to review for “reasonableness.”

Reasonableness will be determined by CTED’s review of the applicant’s response to the questions as listed above in “Application Requirements”.

Relationship Between Supplemental Grants and Other CDBG Funds

A CDBG recipient may apply for a Supplemental Grant for an existing project, as well as apply for any other CDBG fund for another project during the same program period.

CDBG-Supported Loan Fund Programs

2006 Section 108 Loan Guarantee Program

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Regulations governing the Section 108 program may be found at 24 CFR 570, Subpart M, “Loan Guarantees.” For a current list of obligations to date, see Table II-11.

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Although this pledge does not immediately reduce the state’s CDBG allocation, future reductions due to payment default may result in the reduction of the state’s annual award. Reduction to the state’s annual award will be absorbed by the Contingency Fund. Reductions in excess of the available balance within the Contingency Fund will be absorbed proportionally by all CDBG programs. Although there have been net reductions in the recent past, there were no net reductions occurring in program year 2005.

Amount of Funds Available

The state will pledge up to the amount of its 2006 CDBG allocation or \$18,000,000 (whichever is greater) to guarantee loans. More resources may be made available, up to the maximum allowable by HUD, on a project-by-project basis at the discretion of the CTED Director.

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Application Guidelines

Application Deadline

Applications for the Section 108 Loan Guarantee Program may be submitted throughout the 2006 CDBG program year.

Application Requirements

Applications for the Section 108 Loan Guarantee Program will be reviewed and approved by CTED staff. Applications must be submitted by eligible jurisdictions. Applicants may request a minimum of \$700,000 and a maximum of \$7 million. An eligible jurisdiction may submit more than one application each year; however, in no event shall a local jurisdiction receive more than \$7 million in outstanding Section 108 Loan Guarantees. Application guidance can be found in the Section 108 regulations at 24 FR 570.704, “Application Requirements.”

An application will consist of:

- Evidence that the jurisdiction has complied with Citizen Participation Requirements, including at least one well publicized public hearing and the adoption of a CDBG Grievance Procedure;
- A loan guarantee request signed by the authorized chief administrative officer of the local jurisdiction;
- Evidence that a concerted effort was made to obtain alternative sources of financing and that such sources, both public and private, were either not available or were insufficient to meet the financing needs;
- A breakdown of total project costs;
- Sufficient financial history and projections to allow for a comprehensive risk assessment and the completion of a credit memorandum by staff that is in compliance with HUD's Underwriting Guidelines for Section 108 Applications;
- A source and use of funds statement;
- Documentation supporting the job impact or other impact to low- and moderate-income persons;
- Assurance that all CDBG Program requirements will be met, and that HUD citations show that the proposed activity is eligible and meets one of the national objectives (low- and moderate-income benefit, prevention/elimination of slum/blight, or urgent need); and
- Evidence that the applicant jurisdiction has passed a resolution with Certifications of Compliance authorizing submittal of the CDBG Section 108 Loan Guarantee application and certifying compliance with specific state and federal requirements.

Eligible Activities

Section 108 Loan Guarantees are available for specifically allowed revenue-producing CDBG eligible activities. Section 108 Loan Guarantee funds may be used for activities undertaken by a public entity or its designated public agency that will:

- Meet the public benefit criteria, as defined by HUD;
- Assure that all CDBG Program requirements will be met.

Activities eligible for Section 108 financing include:

- Economic development activities eligible under CDBG;
- Acquisition of real property;
- Rehabilitation of public-owned real property;
- Housing rehabilitation eligible under CDBG;
- Construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements);
- Related relocation, clearance, and site improvements;
- Payment of interest on the guaranteed loan and issuance costs of public offerings;
- Debt service reserves; and

- In limited circumstances, housing construction as part of community economic development, Housing Development Grant, or Nehemiah Housing Opportunity Grant programs.

For purposes of determining eligibility, the CDBG rules and requirements apply. As with the CDBG program, all projects and activities must either principally benefit low- and moderate-income persons, aid in the elimination or prevention of slums or blight, or meet urgent needs of the community.

Ineligible Activities

Activities not eligible for Section 108 Loan Guarantees include:

- Activities that do not meet the public benefit criteria, as defined by HUD; and
- Activities that are ineligible under the CDBG program.

Requirements of Funding

The use of Section 108 Loan Guarantees will be considered only if the following requirements are met:

- The project meets the public benefit criteria, as defined by HUD;
- The project adheres to all CDBG Program requirements; and
- The project complies with all applicable federal, state, and local laws and regulations.

Method of Funding Distribution

Applications for Section 108 Loan Guarantee Program funds will be evaluated on an individual basis using the following criteria:

- Need for the assistance (i.e., the assistance is “appropriate” for the project);
- The ratio of jobs created to Section 108 Loan Guarantee funds requested is reasonable for the type of activity proposed. HUD’s requirement for individual businesses is a maximum of \$50,000 assistance per full-time equivalent, permanent job created or retained. CTED guidelines are flexible and average around \$25,000 in assistance per FTE job created or retained;
- The project adheres to all CDBG Program requirements;
- The proposed repayment term is 20 years or less;
- Other reasonable financing alternatives have been exhausted; and
- Request for funds allows for a minimum of \$700,000 and a maximum of \$7 million.

Review and Approval Process

Applications for Section 108 Loan Guarantees must be reviewed and approved by the state prior to being submitted to HUD. The state’s review will consist of an evaluation and recommendation by CTED staff, which will include both the Economic Development Division staff or Housing Division staff, and CDBG program staff; when appropriate,

the Rural Washington Loan Fund Advisory Committee; and finally, approval by the CTED Director. The Director may place additional conditions on the loan guarantee and may require that up to 10 percent (10%) of the loan proceeds be reserved for defaulted loan payments.

The application and supporting documents will then be forwarded to the HUD Regional Office. After review and approval by the Regional Office staff, the application will be forwarded to HUD Headquarters in Washington, D.C., for final review and approval. HUD may impose additional conditions on the loan guarantee.

Special Requirements

Applicants receiving approval:

- May be required to establish a reserve account of up to 10 percent (10%) of the loan amount;
- Will be charged an interest rate of the cost of borrowing plus a one-time commitment fee of up to 1½ percent of the loan amount; and
- Will pledge adequate collateral commensurate with the risk and term of the request.

Use of Section 108 Program Revenues

Any incremental servicing fees assessed over the cost of borrowing or commitment fee, shall be used for administrative costs.

2006 Rural Washington Loan Fund

The Rural Washington Loan (RWLF), administered by CTED, was created by the Washington State Legislature to provide “gap financing” loans to small businesses, primarily in economically distressed and timber-impacted areas of the state. To conform to the State Constitution, the RWLF Program exchanges the state appropriated RWLF funds with an equal amount of CDBG Program funds. RWLF is guided by RCW 43.168, in addition to HUD regulations.

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Currently, \$558,000 is available to be switched with CDBG resources and is being held available for use in the RWLF Program and/or to be granted to capitalize revolving loan funds in a local jurisdiction(s). In the event that the RWLF lacks sufficient resources to complete an eligible loan request at any point in the year, up to \$500,000 annually will be made available from the state’s award.

Amount of Funds Available

The RWLF Program anticipates funding authority of approximately \$7.2 million for the 2006 program year. This includes up to \$500,000 of additional resources that will be made available from the state’s annual CDBG award if RWLF has exhausted its funds.

Application Guidelines

Application Deadline

Applications for RWLF loans are accepted throughout the year. Recommendations regarding applications will be made to the RWLF Advisory Committee. The committee’s recommendation requires the approval by the Director of CTED.

Application Requirements

An application to the RWLF must be on behalf of a specific business project. An eligible jurisdiction may submit more than one application at any time. Applications up to a maximum of \$1,000,000 each may be accepted.

An application will consist of:

- An application signed by the authorized chief administrative officer of the local jurisdiction;
- Documentation supporting the need for the assistance and job impact;
- Confirmation/documentation of authority of the business to enter into the transaction;

Evidence that the jurisdiction has complied with Citizen Participation Requirements, including at least one well publicized public hearing and the adoption of a CDBG Grievance Procedure; and

- Assurance that all CDBG Program requirements will be met.

Eligible Applicants

The Washington State Legislature has targeted at least 80 percent (80%) of the RWLF funds to distressed and timber-impacted areas. A distressed area has been defined in RCW 43.168.020 as 1) a rural county, one that has less than 100 resident per square mile; 2) a county with an unemployment rate 20 percent (20%) above the state average for the immediately previous three years; 3) a county with a median household income level that is less than the state median household income for the previous three years; or 4) an area within a county that meets the following conditions:

- It is composed of contiguous census tracts;
- It has a minimum population of 5,000;
- It has a median household income level that is less than 75 percent (75%) of the state median household income for the previous three years; and
- It has an unemployment rate 40 percent (40%) higher than the county's unemployment rate.

A timber/salmon impact area has been defined as a county, or a city within a county, having a population of less than 500,000 and meeting two of the following three criteria, for the most recent year that such data is available. The Employment Security Department has determined that the three criteria are that a county or city has:

- A lumber and wood products employment location quotient at or above the state average;
- Projected or actual lumber and wood products job losses of 100 or more; and
- An annual unemployment rate 20 percent (20%) or more above the state average.

The county or any city within a distressed county may sponsor a RWLF application. Non-distressed areas may receive up to 20 percent (20%) of RWLF funds provided that the fund's net worth is not less than \$7,100,000.

Eligible Activities

RWLF can accommodate almost any type of private sector business that has the legal authority to borrow funds. This includes owner-users, developers, not-for-profit organizations, and quasi-public corporations such as ports, limited partnerships, general partnerships, proprietorships, and community organizations. RWLF priority ventures include business projects that will:

- Meet public benefit criteria, as defined by HUD;
- Create or retain job opportunities benefiting low- and moderate-income persons; and

- Increase cash flow into the community by diversifying and expanding the economic base.

The business may be involved in any of the following activities:

- Manufacturing or other industrial production;
- Agricultural development or food processing;
- Aquaculture development or seafood processing;
- Development or improved utilization of natural resources;
- Tourism facilities;
- Transportation or freight facilities;
- Retail or service enterprises that will expand the community's economic base rather than redistribute an existing customer base; and
- Other activities representing new technology or a type of economic enterprise that is needed to diversify or stabilize the economic base of an area.

A business that faces a relatively high probability of layoffs needs to demonstrate that:

- Prospects for a turn-around of profitability are good;
- The economic fabric of the community would be significantly damaged through the projected loss of jobs; or
- The business has a record of providing jobs for which low-income persons are eligible.

Funds can be loaned for the acquisition, design and engineering, improvement, rehabilitation, construction, operation, or maintenance of any property, real or personal, which is used or is suitable for use by an economic enterprise (subpart CFR 570.203). Working capital term loans are eligible.

RWLF loans are typically used for "gap" financing, to help cover a "gap" between the costs of a financing project and the monies that can either be borrowed from other lenders or supplied by investors. As a "gap" lender, RWLF loans are usually limited to 33 percent (33%) of the project cost. However, applications from certified minority- and women-owned businesses (MWOB) may receive 100 percent (100%) funding if the request is less than \$50,000 and are allowed to have less than 67 percent (67%) lender participation if the request is greater than \$50,000 but less than \$100,000. The underwriting criteria for MWOB loans under \$100,000 can be more flexible than for typical RWLF loan applications.

Ineligible Activities

Activities not eligible under the RWLF Program include:

- Funds used for the purpose of directly or indirectly financing shopping malls;
- Businesses which have a negative tangible net worth; and
- Those activities that do not meet the public benefit criteria, as defined by HUD.

Method of Funding Distribution

Applications for RWLF loans will be evaluated on an individual basis using the following criteria:

- The need for assistance must meet the public benefit requirements for the project. HUD's public benefit requirements for individual businesses is a maximum of \$50,000 assistance per full-time equivalent, permanent job created or retained. HUD's standards for activities in the aggregate must create or retain at least one full-time equivalent (FTE), permanent job per \$35,000 of CDBG funds used;
- RWLF guidelines are flexible and average around \$25,000 per FTE job created or retained;
- Job creation. Permanent jobs created or retained as a result of the project will be made available to low-income persons; and
- Other criteria as defined by RWLF statute.

Use of RWLF Program Revenues

Businesses receiving assistance through the RWLF are required to make principal and interest payments. Up to two percent (2%) of program income, including principal and interest and investment earnings received by the fund may be used for RWLF Program administration. The balance of the program income will be made available for future loans through the RWLF Program.

2006 CDBG Float-Funded Activities

CTED manages the Float-Funded Activities program that serves the non-entitlement jurisdictions by using CDBG funds allocated to the Washington State CDBG Program, but not expected to be drawn down for the duration of the loan term. These funds may be used to provide short-term loans to businesses/developers and interim construction financing to eligible jurisdictions for CDBG-eligible activities that meet a HUD National Objective. Float-funded activities are described in the HUD regulations at 24 CFR 570.301(b).

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Amount of Funds Available

Based on the estimated cash expenditures of CDBG construction grants and the amount of estimated funding available for the FY 2006 Washington State CDBG program, the maximum estimated amount of funding for Float-Funded Activities is \$18,000,000. For projected and existing Float-Funded activity obligations, see Table II-10.

Application Guidelines

Application Deadline

Applications for CDBG Float-Funded Activity grants may be submitted anytime after adoption of the 2006 Action Plan. The decisions related to project approval or denial will be made by the Director of CTED.

Application Requirements

An application for a Float-Funded Activity must be on behalf of a specific economic or community development project. An eligible jurisdiction may submit more than one application at any time.

An application will consist of:

- An application signed by the authorized chief administrative officer of the local jurisdiction;
- Documentation supporting the need for the assistance and job impact or benefit to low- and moderate-income persons;
- Confirmation/documentation of authority of the business or community development organization, or jurisdiction to enter into the transaction;
- Evidence that the jurisdiction has complied with Citizen Participation Requirements, including: at least one well-publicized public hearing and the adoption of a CDBG grievance procedure, assurance that all CDBG program requirements will be met, and

- Submittal of an unconditional, irrevocable letter of credit drawn from a financial institution acceptable to CTED in the amount of the request. CTED may require that the letter of credit be enlarged to cover accrued interest. For interim construction financing to a jurisdiction, a commitment letter from an acceptable take-out funding source is required.

Eligible Activities

Float-Funded Activities can accommodate almost any type of private sector business or non-profit organization that has the legal authority to borrow funds. This includes owner-users, developers, and quasi-public corporations such as ports, limited partnerships, general partnerships, proprietorships and community organizations. CDBG Float-Funded Activities may also be used to fund interim construction grants to eligible jurisdictions where a CDBG General Purpose or Community Investment Fund grant has been awarded. Float-Funded Activities can be made in support of any CDBG-eligible economic, housing or community development projects.

Float-Funded Activities priority ventures include business projects that will:

- Meet public benefit criteria, as defined by HUD;
- Have an identifiable funding or return on investment gap preventing the project from being accomplished;
- Meet either the HUD National Objective of creation or retention of job opportunities principally benefiting low- and moderate-income persons or of principally benefiting low- and moderate-income persons or families;
- Create or retain job opportunities benefiting low- and moderate-income persons;
- Increase cash flow into the community by diversifying and expanding the economic base; and
- Assist business or community development projects that require infrastructure or housing investments.

Participating businesses may be involved in any of the following activities:

- Manufacturing or other industrial production;
- Agricultural development or food processing;
- Aquaculture development or seafood processing;
- Development or improved utilization of natural resources;
- Tourism facilities;
- Transportation or freight facilities;
- Retail or service enterprises that will expand the community's economic base rather than redistribute an existing customer base; and

- Other activities representing new technology or a type of economic enterprise that is needed to diversify or stabilize the economic base of an area.

A business that faces a relatively high probability of layoffs needs to demonstrate that:

- Prospects for a turn-around of profitability are good;
- The economic fabric of the community would be significantly damaged through the projected loss of jobs; or
- The business has a record of providing jobs for which low-income persons are eligible.

Funds can be loaned to a business for acquisition, design and engineering, improvement, rehabilitation, construction, operation or maintenance of any property, real or personal, which is used or is suitable for use by an economic enterprise (subpart CFR 570.203). Working capital term loans are eligible.

Ineligible Activities

Activities not eligible for Float-Funded Activities include:

- Those activities that do not meet public benefit criteria, as defined by HUD.

Requirements for Funding

The interim use of CDBG funds will be allowed only if the following requirements are met:

- The business must demonstrate that public financing of the project provides a public benefit that at least meets or exceeds HUD requirements to create or retain jobs. HUD's requirement for individual businesses is a maximum of \$50,000 assistance per full-time equivalent, permanent job created or retained. CTED guidelines are flexible and average around \$25,000 assistance per FTE job created or retained;
- Eligible jurisdictions receiving interim construction financing must meet the HUD National Objective of providing a benefit to principally low- and moderate-income persons;
- The business or project sponsor must provide for the benefit of the jurisdiction/CTED an unconditional, irrevocable letter of credit in U.S. dollars in the full amount of the principal, plus interest if required, due under the loan from a financial institution acceptable to CTED;
- For interim construction financing to a jurisdiction, a commitment letter from an acceptable take-out funding source is required;

- The business must agree to create jobs, the majority of which will be made available to low- and moderate-income individuals. Retention of jobs can also be considered as a qualifying factor;
- The business must enter into a First Source Agreement with a local Job Service Center or private employment agency. The purpose of the agreement is to identify and place certified disadvantaged (i.e., low- and moderate-income) workers in non-managerial jobs created by the project;
- Rates of interest and other loan terms are determined by the needs of the project and by competitive factors;
- The business must agree to comply with all applicable federal, state and local laws and regulations;
- Interim financing – Float-Funded Activities in support of housing will primarily benefit low- and moderate-income households; and
- Interim financing in support of infrastructure will primarily benefit low- and moderate-income persons.
- An interest rate of two percent (2%) will be charged by the CDBG program on interim construction funds drawn by a jurisdiction. This interest rate will apply to interim construction Float-Funded Activities for both housing and infrastructure activities.

Method of Funding Distribution

Applications for Float-Funded Activities will be evaluated on an individual bases using the following criteria:

- Need for assistance – The assistance requested meets the public benefit criteria, as defined by HUD;
- Job creation – Permanent jobs created or retained as a result of the project will be made available to low- and moderate-income persons;
- Housing – Interim financing in support of housing projects principally benefits low- and moderate-income households; and
- Infrastructure – Interim financing of projects principally benefiting low- and moderate-income persons.

CDBG and CTED staff will review each application. Additional information will be requested if needed. Staff will decide whether or not the project meets the above-stated criteria. The CTED certifying authority is the Director of CTED. If funds are available, a Float-Funded Activity Grant will be awarded to the applicant. CTED reserves the right to require payment of a loan to a business, developer or jurisdiction made through a Float-Funded Activity at any time, when it is in the best interest of the program.

Use of Float-Funded Activity Program Income

Jurisdictions receiving a Float-Funded Activity award will be required to return the full principal plus interest to CTED. Float-Funded Activity program income will be treated as additional CDBG funds subject to

24 CFR 570.489 Subpart I, and will be distributed to units of general local government in accordance with the state's approved annual method of distribution. Float-Funded Activity program income may also be used to reimburse administrative expenses incurred by the program staff directly involved in packaging a specific Float-Funded Activity project.

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Other 2006 CDBG Program Guidelines

Reallocated Funds

Reallocated funds are those that HUD has recaptured from a grantee and reallocated to the state in accordance with the Community Development Act of 1974, as amended. Reallocated funds that are received by the state with the annual grant will be made available to eligible jurisdictions through 2006 funding distribution processes in accordance with the methods of distribution described in this statement.

Recaptured Funds

Recaptured funds are funds that remain unused by grantees at the point of contract completion and are deobligated. These funds will be redistributed according to the guidelines in this section.

Recapture of Funds Policy

It is CTED's policy to recapture and retain (deobligate) unspent CDBG funds from any CDBG award when it is clear that the recapture will not preclude local ability to complete approved activities. Most commonly, funds are recaptured during the administrative closeout process of a CDBG contract.

For General Purpose and Community Investment Fund grants only, exceptions to this policy may be made under the following special circumstances:

- Up to two percent (2%) of the grant recipient's total grant amount, to a maximum of \$10,000, may be retained for CDBG eligible activities, subject to written approval by CDBG program staff;
- Use of unexpended funds for new activities will be limited to instances where previously approved project activities will be measurably enhanced as reviewed and approved by CDBG staff. Use of unexpended funds may also be used to implement some part or all of the jurisdictions' approved Americans with Disabilities Act (ADA) plan;
- The use for which a jurisdiction requests to retain unexpended funds must meet CDBG rating criteria and the Action Plan criteria for the year in which the funds were originally awarded; and
- Fund balances deobligated from General Purpose and Community Investment Fund grant projects may be re-obligated in grants made to the originating jurisdiction for the express purpose of accomplishing ADA objectives under the ADA Incentive Grant program. Up to two percent (2%) of the grant recipient's total original grant amount, up to a maximum of \$10,000, may be reallocated as an ADA Incentive Grant award. Awards made to

jurisdictions for ADA Incentive grants must be expended within one year of the contract date.

Use of Recaptured Funds

Recaptured funds will be placed within the Contingency Fund and distributed in a manner that is consistent with the overall goals, objectives and guidelines of this Action Plan.

Remaining Funds

Remaining funds are funds that have not been, or are no longer intended to be distributed according to the method of distribution for annual grants. This can be an amount left over after awarding grants within an individual CDBG program, but too small to fully fund an application.

Funds not distributed by the end of the CDBG program year, December 31st, will be placed in the Contingency Fund and distributed in a manner that is consistent with the overall goals, objectives and guidelines of the this Action Plan.

Change in Use Policy

All real property acquired or improved with CDBG funds must be used to benefit the intended low- and moderate-income beneficiaries for at least ten (10) years from the administrative closeout date of the CDBG contract between CTED and the grantee jurisdiction. Any proposed change in use must follow the steps outlined in 24 CFR 570.489(j).

Entitlement/Non-Entitlement Policy

The state CDBG program will fund projects that benefit both entitlement and non-entitlement area residents only when at least 51 percent of the project beneficiaries are documented as being full-time residents of non-entitlement areas and other conditions are met, as outlined in the state CDBG program's policy related to grants proposed to be located in an entitlement area.

Program Income

Program income is any income generated from the use of CDBG program funds such as proceeds from disposition of property, loan repayments with interest, proceeds from sale of loans and accumulated payments received prior to a project being administratively closed. All program income accrued while a contract is still open and active must be used prior to drawing additional CDBG funds from the state. Program income for active contracts must be accounted for on each reimbursement request. Income earned by the grantee as a result of project activities after project completion and after administrative

closeout, retains its federal identify and must be reported to CTED annually if it exceeds \$25,000 in any calendar year.

1) General Purpose and Community Investment Fund Grants

It is CTED's option, under federal CDBG regulations, to allow local jurisdictions to return or retain program income generated through implementation of their approved grant activities. Accordingly, CTED will allow jurisdictions receiving General Purpose, Community Investment Fund and Supplemental grants to retain program income, earned during grant implementation, to continue the activity from which the program income was derived in accordance with applicable regulations and a duly executed closeout report between the grantee jurisdiction and CTED. Program income earned after project completion, but before administrative closeout, may be subject to the Recapture of Funds Policy.

Jurisdictions receiving a grant in support of a microenterprise project will be allowed to retain program income for continuance of the microenterprise activity in accordance with CDBG requirements and a closeout agreement between the grantee jurisdiction and CTED.

2) Planning-Only, Imminent Threat and Public Service Grants

Jurisdictions receiving Planning-Only, Imminent Threat or Public Service grants will be required to return any program income generated during project implementation. This program income will be subject to the Recapture of Funds Policy and returned to the Contingency Fund for distribution in accordance with this Action Plan.

3) Housing Enhancement and Housing Rehabilitation Grant Programs

Jurisdictions receiving a CDBG Housing Enhancement or CDBG Housing Rehabilitation grant will be allowed to retain program income for continuance of the housing program in accordance with applicable requirements and closeout agreement between the grantee jurisdiction and CTED.

4) Rural Washington Loan Fund Grants (RWLF)

Businesses receiving assistance through RWLF are required to make principal and interest payments. Up to two percent (2%) of program income including principal, interest and investment earnings received by the fund may be used for RWLF program administration. The balance of program income will be made available for future loans through the RWLF program, in a manner that is consistent with the overall goals and objectives of the RWLF program.

5) Float-Funded Activities

Jurisdictions receiving a Float-Funded Activity award will be required to return the full principal plus interest to CTED. Float-Funded Activity program income will be treated as additional CDBG funds subject to 24 CFR 570.489 Subpart I, and will be distributed to units of general local governments in accordance with the state's approved annual method of distribution. Float-Funded Activity program income may also be used to reimburse administrative expenses incurred by program staff directly involved in packaging a specific float-funded project.

Miscellaneous Revenue

The amount of program income expected to be generated in 2006 by the state's revolving loan funds and deposited to the state's revolving loan fund is \$1,140,201.

The amount of program income expected to be received in 2006 from float-funded activities is \$1,333,482.

Float-Funded Activities - No float funded defaults are anticipated in 2006 since float-loans are secured by bank-supported irrevocable letters of credit. Refer to Table II-10 below for a detail of current float loans.✕

Part II

Program Action Plans

Table II-10: Float-Funded Activities Program Income

Float-Funded Activities Program Income						
Detail of program income expected from new year 2006 float-funded activities and program income expected from current float-funded activities.						
Name	Location	Year	Float-Funded Activities Amount	Float-Funded Activities Program Income	Date of Issuance	Due Date
Gorge Delights	Skamania County	2003	\$250,000	\$251,232	9/4/03	3/4/06
Shoemaker Manufacturing	Kittitas County	2003	\$1,050,000	\$1,055,250	10/29/03	4/29/06
Cardinal Glass	Lewis County	2004	\$8,400,000	\$0	12/29/04	06/29/07
Grassland West	Clarkston	2005	\$350,000	\$7,000	2/18/05	08/18/07
**Town of Concrete	Concrete	2005	\$2,000,000	\$20,000	2005	12/2006
** Denotes Proposed Float-Funded Activities						
TOTALS:			\$12,050,000	\$1,333,482		
* Float-funded activities are secured in full by an Irrevocable Bank Letter of Credit, or in the Case of Interim Construction Floats, a Letter of Commitment from USDA Rural Development.						

Table II-11: Detail of Existing Section 108 Loan Guarantee Projects

Detail of Existing Section 108 Loan Guarantee Projects						
Name	Location	Year	Original Amount	Balance as of 09/01/05	CDBG Fund Losses	Maturity Date
Shilo Inn	Ocean Shores	1994	\$3,600,000	\$2,050,000	0	August 1, 2014
Icicle Amusement	Leavenworth	1996	\$2,020,000	\$1,030,000	0	August 1, 2015
Everybody's of Raymond	Raymond	2001	\$1,960,000	\$1,310,000	0	August 1, 2016
Grays Harbor PDA	Grays Harbor County	2001	\$4,565,000	\$4,500,000	0	August 1, 2021
Maritime Center	Port Townsend	2002	\$1,000,000	\$690,000		August 1, 2023
Total Currently Obligated:				\$9,580,000		
Total Unobligated:				\$8,420,000		

Table II-12: Available CDBG Loan Guarantee for 2006

Available CDBG Loan Guarantee for 2006	
Section 108 Loan Guarantee Available in 2006	\$17,000,000
Estimated Section 108 Loan Guarantee Obligations 9/01/05	\$9,580,000
Total Unobligated Section 108 Loan Guarantee 9/01/05	\$8,420,000